

Message Text

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14

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 SCEM-02 TRSE-00

INT-08 SS-20 NSC-10 DRC-01 /101 W

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R 182250Z DEC 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2355

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POUCHED INFO ALL CONSULAR POSTS IN CANADA

E.O. 11652: N/A

TAGS: ETRN, CA

SUBJECT: CIVAIR: FUEL ALLOCATION REGULATIONS

REF: STATE 244460

1. MINISTRY OF TRANSPORT FUEL POLICY OFFICIAL ADVISED
TCO DECEMBER 17 MOT GROUP AT PRESENT SEES NO GREAT
PROBLEM FOR CANADIAN COMMERCIAL AIRLINES FROM REDUCTION
OF U.S. CONSUMPTION TO 85 PERCENT OF 1972 BASE. HOWEVER,
SITUATION BEING KEPT CONTINUALLY UNDER REVIEW.

2. MOT GROUP, IS FOCUSING PRIMARILY ON LONGER
TERM ASPECTS FUEL AVAILABILITY ALL MODES INTERNATIONAL
TRANSPORT AND SOURCE INDICATED NEW ADVISORY BODY OF MOT,
INDUSTRY TRADE AND COMMERCE, AND EXTAFF UNDER MOT CHAIRMAN-
SHIP BEING CREATED TO GIVE DEFINITIVE GUIDANCE PROPOSED
ENERGY SUPPLY ALLOCATION BOARD WITH RESPECT TO ALL
TRANSPORT QUESTIONS. MOT SOURCE SAID PRESENT THINKING THIS NEW
BODY FAVORS ATTEMPT NEGOTIATE BILATERALLY WITH USG AND
CERTAIN OTHER GOVERNMENTS RECIPROCAL ARRANGEMENTS
COVERING ASSIGNMENT OF FUEL SUPPLIES AT SCATTERED
LOC *IONS. IN CASE OF US THIS WOULD INVOLVE ATTEMPT
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TRADE SURPLUSES ONE AREA FOR SHORTAGES OTHER AREAS.

FOR EXAMPLE, JET FUEL AT VANCOUVER FROM DECEMBER 16 TO JANUARY 1 IN CRITICALLY SHORT SUPPLY FOR CP AIR WHICH*HAS BEEN CUT OFF BY EXXON. LATTER IS CONTRACT SUPPLIER AND PURCHASES THE FUEL IN WASHINGTON STATE FROM ARCO REFINERY WHICH, IN TURN, UTILIZES CANADIAN CRUDE. AT SAME TIME CANADIAN SUPPLIERS IN EAST ARE CONTINUING CONTRACTUAL FULFILLMENTS WITH US CARRIERS LANDING AT POINTS THERE. RECIPROCAL ARRANGEMENTS AGREED TO BY BOTH GOVERNMENTS WOULD HOPEFULLY AVOID THIS SITUATION FROM BEING REPEATED.

3. SOURCE ALSO ADVISED MOT ABOUT TO APPROACH CANADIAN CARRIERS ON DUAL TRACKED ROUTES TO INDUCE OPERATING PARTNERSHIPS WITH US CARRIERS TO MINIMIZE DUPLICATE EQUIPMENT UTILIZATION BY COOPERATIVE INCREASE OF LOAD FACTORS AND SHARING OF AVAILABLE FUELS AT POINTS ON THOSE ROUTES. HOW THIS WOULD WORK IN DETAIL NOT YET FULLY ASCERTAINED, BUT MOT CONSIDERS IDEA OF SUFFICIENT VALUE TO DISCUSS WITH CANADIAN CARRIERS. SOURCE FURTHER INDICATED REVENUE POOLING MAY BE NECESSARY TO MAKE IDEA WORK AND IF SO MOT WOULD URGE GOC PRESSING IT UPON USG. AIR CANADA HAS SUCH ARRANGEMENTS NOW WITH BOAC AND AIR FRANCE WHICH IT FINDS SATISFACTORY BOTH FROM ECONOMIC AND FUEL VIEWPOINTS.

4. COMMENT: EMBASSY OBSERVES CERTAIN DISARRAY IN GOC IN RESPONDING AND REACTING TO US ENERGY ACTIONS AND REGULATIONS AND SOME PROLIFERATION OF AD HOC ADVISORY GROUPS AND INTER-AGENCY COMMITTEE TO DEAL WITH PROBLEMS. GOC HAD HOPED COORDINATION WOULD BE FOCUSED IN ENERGY SUPPLY ALLOCATION BOARD WHICH WOULD BE CREATED UNDER LEGISLATION INTRODUCED IN EARLY DECEMBER. ORIGINAL BELIEF WAS THAT BILL WOULD BE ENACTED PRIOR TO HOLIDAY. HOWEVER, OPPOSITION PROGRESSIVE CONSERVATIVES HAVE EXPRESSED CONCERN ABOUT BILL'S "SWEEPING" POWERS AND HAVE INDICATED INTENTION TO EXAMINE IN COMMITTEE CLAUSE-BY-CLAUSE AND ALSO TO ATTEMPT TO DELAY FINAL ACTION UNTIL AFTER FIRST MINISTERS' MEETING ON ENERGY PROPOSED FOR JANUARY 22-23. EVEN UNDER MOST OPTIMISTIC EXPECTATIONS IT WOULD TAKE BOARD SOME WEEKS BEFORE IT COULD FUNCTION AUTHORITATIVELY AND IT LIMITED OFFICIAL USE

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REMAINS TO BE SEEN HOW MUCH GUIDANCE THE ESAB WILL IN FACT TAKE FROM INTER-AGENCY BODIES DEALING WITH SPECIALIZED PRODUCTS SUCH AS THOSE CONSUMED IN AVIATION AND OTHER FORMS OF TRANSPORT.
SCHMIDT

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Disposition Date: 28 MAY 2004
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